APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 13,807

FARBENFABRIKEN BAYER A. G., *Appellant*,
v.
STERLING DRUG, INC.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

Argued May 7, 1962

Before McLAUGHLIN, STALEY and GANEY, *Circuit Judges*.

Opinion of the Court

(Filed August 9, 1962)

By STALEY, *Circuit Judge*.

This is a civil action commenced under the antitrust laws, § 1 of the Sherman Antitrust Act, 15 U.S.C.A. § 1, and §§ 4 and 6 of the Clayton Act, 15 U.S.C.A. §§ 15 and 26. In its complaint, plaintiff alleged that defendant has without right asserted trademark rights in the word "Bayer" and the Bayer Cross, as a means of suppressing competition, and that such assertion constitutes a violation of the antitrust laws. Plaintiff requested injunctive relief and treble damages. The essence of the prayer for injunctive relief was that defendant be directed to give all necessary consents and licenses, without cost, to permit plaintiff to import into or manufacture in the United States, products under the name Bayer and the use of the Bayer Cross trademark, and that the district court prescribe a procedure permitting the products of both plaintiff and defendant to be offered and sold under that name and trademark but in such a manner as to distinguish the source of the product.

In 1953, plaintiff, Farbenfabriken Bayer, A.G., a corporation organized under the laws of the Federal Republic of Germany, took over a part of the business formerly conducted by I. G. Farbenindustrie, A.G. ("Farben"). In 1925, Farben succeeded Farbenfabriken vorm. Friedrich Bayer & Company ("Farbenfabriken"). Farbenfabriken formed two New York corporations in 1913, Synthetic Patents Company, Inc., and The Bayer Company, Inc. ("Bayer").

Defendant, Sterling Drugs, Inc., a Delaware corporation, is, like plaintiff, engaged in the development, manufacture and sale of drugs and pharmaceuticals. After the United States entered the First World War, the Alien Property Custodian seized Farbenfabriken's assets in the United States, including the stock of Bayer, and in 1918 sold them to defendant. Thereafter, Bayer's ethical drug business was transferred to its newly organized subsidiary, Winthrop Chemical Company, Inc., and in 1923, the capital stock of Winthrop was transferred to defendant.

In 1923, Farbenfabriken and Bayer entered into a cartel agreement involving a world division of markets. It was admitted in the district court that the agreement was violative of the antitrust laws.[1]

Concluding that the statute of limitations had expired, the district court dismissed plaintiff's claim for damages, 153 F. Supp. 589 (D.N.J., 1957),[2] and denied the request for injunctive relief on the basis "that the equitable remedy

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[1] The agreement was adjudged violative of the antitrust laws by the United States District Court for the Southern District of New York on September 5, 1941, in United States v. The Bayer Co., Civil Action No. 15-364.

[2] The district court originally relied on the New Jersey six year statute of limitations contained in NJSA 2A:14-1. Thereafter, the district court, following our decision in Gordon v. Loew's, Inc., 247 F. 2d 451 (1957), modified its order and applied the two year limitation contained in NJSA 2A:14-10.

available under Section 16 is predicated upon the legal cause of action created by Section 4," and that inasmuch as the legal claim for damages was barred, the equitable remedy would be denied.

Although the parties have raised numerous questions on this appeal, we shall limit our discussion to the dispositive one.

The defendant contends that by purchasing the stock of Bayer from the Alien Property Custodian in 1918, it acquired the trademarks in question as they were assets of Bayer. Plaintiff says that defendant's continued use of the trademarks is based exclusively on the illegal 1923 agreements.[3] Plaintiff admits that the purchase of Bayer stock by defendant gave it all the rights Bayer had in the trademarks, but says that the right to use the trademarks was restricted to pharmaceuticals "manufactured and (or) controlled" by Farbenfabriken. In any event, it says that it has a right to concurrent use of the trademarks and cites American Bosch Magneto Corp. v. Robert Bosch Magneto Co., 215 N.Y.Supp. 387 (Sup. Ct. 1926).

We think that defendant acquired absolute rights to the exclusive use of the trademarks in question by its purchase of Bayer.[4]

The power vested in the Alien Property Custodian was clearly spelled out in the Trading with the Enemy Act ("Act"), originally passed on October 6, 1917, 40 Stat. 411,

[3] In addition to the 1923 agreement with Bayer, plaintiff in that year executed an agreement with Winthrop wherein plaintiff agreed not to contest title to the trademarks Bayer and the Bayer Cross.

[4] Of course, this court can affirm based on the record before it, even though the grounds be different than those of the district court. Continental Ore Co. v. Union Carbide & Carbon Corp. 289 F. 2d 86 (C.A. 9, 1961); Ginsburg v. Black, 237 F. 2d 790 (C.A. 7, 1956), cert. denied, 353 U.S. 911 (1957).

and amended on March 28, 1918, 40 Stat. 460, 50 App. U.S.C.A. § 12. It provided in pertinent part:

> "The alien property custodian shall be vested with all of the powers of a common-law trustee in respect of all property, other than money, which has been or shall be, or which has been or shall be required to be, conveyed, transferred, assigned, delivered, or paid over to him in pursuance of the provisions of this Act, and, in addition thereto, acting under the supervision and direction of the President, and under such rules and regulations as the President shall prescribe, shall have power to manage such property and do any act or things in respect thereof, or make any disposition thereof, or of any part thereof, by sale or otherwise, and exercise any rights or powers which may be or become appurtenant thereto or to the ownership thereof in like manner as though he were the absolute owner thereof * * *."

As the statute unmistakably shows, it was the intention of Congress to enable the Alien Property Custodian to sell property as fully as the owner could, and a sale by the Custodian is as complete as if it were a voluntary conveyance by the foreign corporation (Farbenfabriken) whose assets were seized. Koppel Industrial Car & Equipment Co. v. Orenstein & Koppel Artiengesellschaft, 289 Fed. 446 (C.A. 2, 1923). That Congress intended to give finality to sales by the Custodian is best shown by a 1918 amendment to the Act, which provided that

> "The sole relief and remedy of any person having any claim to any money or other property heretofore or hereafter conveyed, transferred, assigned, delivered, or paid over to the Alien Property Custodian, or required so to be, or seized by him shall be that provided by the terms of this Act, and in the event of sale or other disposition of such property by the Alien Prop-

erty Custodian, shall be limited to and enforced against the net proceeds received therefrom and held by the Alien Property Custodian or by the Treasurer of the United States." 40 Stat. 1020, 50 App. U.S.C.A. § 7.

It becomes imperative, therefore, to determine what rights Bayer had in the trademarks Bayer and Bayer Cross, for admittedly the Alien Property Custodian transferred all of Bayer's rights to defendant. In 1908, Farbenfabriken of Elberfeld Company, a New York corporation wholly owned by Farbenfabriken, registered the trademarks in the United States. The trademarks were registered on the basis that Farbenfabriken of Elberfeld had used them since 1895. In 1913, Farbenfabriken dissolved Farbenfabriken of Elberfeld. In the same year, Bayer was incorporated under New York law, whereupon certain assets, including the trademarks in question, were transferred to it. At its first Board of Directors meeting, Bayer authorized and directed its officers to enter into certain contracts with Farbenfabriken. One of them, dated June 12, 1913, provided:

> "Bayer Co. agrees, and binds itself hereby, to pay unto Leverkusen [Farbenfabriken], the sum of Seven Hundred and Fifty Thousand Dollars ($750,000) in lawful money of the United States on or before the 12th day of June, 1916. And Leverkusen hereby consents to and ratifies the sale, transfer and assignment to Bayer Co. by the New York corporation Farbenfabriken of Elberfeld Co. of the right for the sale in the United States and Canada of the drugs, chemicals, pharmaceuticals and any and all other products and articles manufactured and (or) controlled by Leverkusen; and Leverkusen also hereby consents to and ratifies the sale, transfer and assignment by said Farbenfabriken of Elberfeld Co. to Bayer Co. of its (said Farbenfabriken of Elberfeld Co.'s) trade-marks, good will and other assets and property."

Use of those trademarks by Bayer and its successor, defendant, has been exclusive since 1917. The agreement, execution of which has never been denied, was fully performed by Bayer. It was absolute and neither imposed any limitation on use of the trademarks nor retained any interest therein in favor of Farbenfabriken. The agreement presents no problem of construction, and all that is left to us is to give force to the plain words.

Furthermore, in its complaint, plaintiff alleged that defendant, as a result of the sale by the Alien Property Custodian "obtained control in the United States of the trademark Bayer, and the Bayer Cross and the name Aspirin (then a valid trademark in the United States), as well as a host of other valuable trade names," and in paragraph 18, as follows:

> "Thus Sterling found itself in possession of the invaluable Bayer trademarks in the United States, probably the most important single market in the world. At that time, Bayer which was the original and true owner of the name, was in a weak and defenseless position."

Plaintiff says, however, that the conveyance of trademark rights to Bayer was not absolute but was restricted to use of the trademarks to pharmaceuticals "manufactured and (or) controlled" by Farbenfabriken. It points to a distributorship contract executed between Bayer and Farbenfabriken in 1913. But the agreement of purchase of trademarks was not so limited. For us to so conclude would require a rewriting of the trademark agreement. This we are not free to do. Each agreement was a separate one, individually executed, and in no way making reference to the other. The distributorship contract was limited in time, while the other was absolute and contained no time limitation.

Having shown that defendant had full and complete ownership of the trademarks in question, the plaintiff neces-

sarily does not have a right to concurrent use of them. In this regard, it refers us to American Bosch Magneto Corp. v. Robert Bosch Magneto Co., 215 N.Y.Supp. 387 (Sup. Ct. 1926). There, the Company whose assets the Alien Property Custodian seized and sold had only limited rights in the trademark.

Since we have determined that defendant acquired the trademarks without restriction as to use, defendant's mere exercise of its full rights therein cannot constitute such a misuse as to be the basis for an action under the antitrust laws. "It would be a paradox to say that the exercise of a right, expressly granted by law, is unlawful." Coca-Cola Co. v. J. G. Butler & Sons, 229 Fed. 224, 232 (E.D.Ark. 1916).

The judgment of the district court will be affirmed.

A True Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit.

APPENDIX B

FARBENFABRIKEN BAYER, A. G., a corporation, *Plaintiff*,

v.

STERLING DRUG INC., a corporation, *Defendant*.

Civ. A. No. 908-55.

United States District Court
D. New Jersey.

July 27, 1961.

WILLIAM F. SMITH, Chief Judge.

This is a civil action under the anti-trust laws, and particularly Section 1 of the Sherman Act, as amended, 69 Stat. 282, 15 U.S.C.A. § 1, and Sections 4 and 16, of the Clayton Act, 38 Stat. 731 and 737, 15 U.S.C.A. §§ 15 and 26. The action is brought by the plaintiff, a corporation organized under the laws of Germany, as the "legal successor in interest" to certain rights of Farbenfabriken vorm. Friedrich Bayer and Company, et als. The essential allegations of the complaint are summarized in the earlier opinion of this Court. Farbenfabriken Bayer, A. G. v. Sterling Drug, 153 F. Supp. 589. There is no reason to repeat the summary in this opinion.

The history of the relationship between the parties and their predecessors is recited in the opinion filed in the companion case. Farbenfabriken Bayer, A. G. v. Sterling Drug Inc., 197 F. Supp. 613. The recital is based upon the Stipulation of Facts and the undisputed allegations of the complaint. It appears therefrom that the predecessors of the plaintiff and the defendant and its predecessors had been engaged in an unlawful combination and conspiracy in restraint of trade and commerce in pharmaceutical products prior to September 5, 1941. It also appears that the

illegal contracts of 1920, 1923 and 1926 were in furtherance of the said conspiracy.

The action is before the Court at this time on a motion for summary judgment and a counter-motion for summary judgment, filed by the defendant and plaintiff, respectively, under Rules 56(b) and 56(a) of the Federal Rules of Civil Procedure, 28 U.S.C.A. The motions are based upon the record thus far made, which includes the pleadings, stipulation, exhibits, and affidavits.

Earlier Proceeding

The action was heretofore before the Court on a motion for judgment on the pleadings filed by the defendant under Rule 12(c) of the Federal Rules of Civil Procedure, 28 U.S.C.A. We then treated the motion as one to dismiss the complaint. The defendant argued in support of the motion that the action was barred by Section 2A:14-1 of the New Jersey Revised Statutes, N.J.S.A. 2A:14-1, which prescribes a six year period of limitation.

The plaintiff and the defendant at that time agreed that in the absence of a federal statute of limitation the local statute of limitation was applicable. It should be noted that the present action was commenced on September 28, 1955, before the effective date of Section 4B of the Clayton Act, 15 U.S.C.A. § 15b. The parties were also in agreement as to the applicability of Section 2A:14-1 of the New Jersey Revised Statutes, supra.

The opinion of the Court was filed on July 15, 1957. The question as to when the statute of limitation commenced to run was therein decided and we held that the "statute of limitations runs from the commission of the last overt act alleged to have caused damage" and not from the time of the consequent injury. Farbenfabriken Bayer, A. G. v. Sterling Drug, supra, 153 F. Supp. 592-597, inclusive. We adhere to this view for the reasons stated in the opinion.

We held further that the provisions of Section 2A:14-1, supra, were applicable and that thereunder the claim for treble damages was barred by the six year period of limitation therein prescribed. It has since been decided by the United States Court of Appeals for this Circuit that the provisions of the said section are not applicable. Gordon v. Loew's Incorporated, 247 F. 2d 451.

The precise question as to which of two local statutes was applicable was carefully considered in the case of Gordon v. Loew's, Incorporated, supra. It was therein decided that Section 2A:14-1 was not applicable to an action for treble damages under Section 4 of the Clayton Act, supra. It was held that such an action is essentially one for a penalty within the meaning of Section 2A:14-10 of the New Jersey Revised Statutes, N.J.S.A. 2A:14-10, and is barred by the two year period of limitation therein prescribed. The rule of the cited case has been followed in two later cases, to wit, Carlton Lamp Corporation v. General Electric Company, 3 Cir., 254 F. 2d 815; Dean Oil Company v. American Oil Company, 254 F. 2d 816, 3 Cir., certiorari denied 358 U.S. 835, 79 S. Ct. 58, 3 L. Ed. 2d 72.

We are of the opinion that the claim for treble damages was properly dismissed on the earlier motion of the defendant; however, the opinion of the Court is modified to reflect the applicability of Section 2A:14-10, supra. The earlier dismissal of the claim for damages was "without prejudice to the right of the plaintiff to apply to the Court for leave to file an amended complaint." Since the plaintiff has failed to avail itself of this right, the dismissal of the action is herein made final.

PRESENT PROCEEDING

The defendant's present motion for summary judgment is directed to the claim for injunctive relief under Section 16 of the Clayton Act, supra. It is argued that this claim is barred by the lapse of time under the doctrine of laches.

We are of the opinion that this motion must be sustained for the reasons hereinafter discussed.

[1] Section 4 of the Clayton Act, supra, grants to "any person * * * injured in his business or property by reason of anything forbidden in the antitrust laws" a right to maintain an action for treble damages. Section 16 of the Act, supra, grants an additional right to maintain an action for injunctive relief "against threatened loss or damage." We are of the opinion that the equitable remedy available under Section 16 is predicated upon the legal cause of action created by Section 4. It is essentially an equitable remedy in aid of a legal right created by the statute.

The statute of limitations, by its express terms, applies only to actions at law and may not be invoked as a defense against a claim exclusively equitable. However, where the equity jurisdiction is invoked in aid of a legal right, or is predicated upon a legal cause of action, equity "will withhold its remedy if the legal right is barred by the * * * statute of limitations." Russell v. Todd, 309 U.S. 280, 289, 60 S. Ct. 527, 532, 84 L. Ed. 754; see also Tobacco and Allied Stocks v. Transamerica Corp., D.C., 143 F. Supp. 323, 325, et seq., affirmed on other grounds 3 Cir., 244 F. 2d 902.

The relevant rule is stated by the Supreme Court in Russell v. Todd, supra, as follows: "Even though there is no state statute applicable to similar equitable demands, when the jurisdiction of the federal court is concurrent with that at law, or the suit is brought in aid of a legal right, equity will withhold its remedy if the legal right is barred by the local statute of limitations." See also Cope v. Anderson, 331 U.S. 461, 463 et seq., 67 S. Ct. 1340, 91 L. Ed. 1602. We are of the opinion that the rule is applicable here and should be invoked to bar the claim for injunctive relief.

The rule was applied in the case of United West Coast Theatres Corp. v. South Side Theatres, D.C., 86 F. Supp.

109, at page 111, wherein it was held: "The local statute of limitations applicable to actions for damages will also be adopted and applied, in exercise of the equity jurisdiction of [the] court, to the injunctive relief sought pursuant to § 16 of the Clayton Act, 15 U.S.C.A. § 26."

The plaintiff admits the existence of a conspiracy in restraint of trade in violation of the antitrust laws prior to September 5, 1941, but alleges that its predecessor became a party to the conspiracy under economic duress and the contemporary coercion of the defendant's predecessors. The allegation is denied by the defendant, but for the purposes of the present motion we shall accept it as true.

[2] An aggrieved party who joins in existing conspiracy under such circumstances is not *in pari delicto* and therefore may maintain an action for damages and for injunctive relief under Sections 4 and 16 of the Clayton Act. Ring v. Spina, 2 Cir., 148 F. 2d 647, 652 et seq. See also Eastman Kodak Co. v. Southern Photo Materials Co., 273 U.S. 359, 377 et seq., 47 S. Ct. 400, 71 L. Ed. 684. The predecessor to the plaintiff brought no such action. It continued performance under the illegal contracts for a period of eighteen years and continued to enjoy the benefits of the unlawful enterprise.

[3] The present action is brought by the plaintiff as the "legal successor in interest" to the rights of Farbenfabriken vorm. Friedrich Bayer and Company, Leverkusen, and I. G. Farbenindustrie, I. G. Farben. We are of the opinion that if the present action for injunctive relief were one brought by either of the named predecessors of the plaintiff it would be barred by the lapse of time under the doctrine of laches. The position of the plaintiff is no better than that of its predecessors. We are of the opinion that the equities favor the defendant.

The motion for summary judgment is granted. The defendant shall submit to the Court, on notice to the plaintiff, an appropriate order.